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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking to Promote
Consistency in Methodology and Input
Assumptions in Commission Applications of
Short-run and Long-run Avoided Costs,
Including Pricing for Qualifying Facilities.

Rulemaking 04-04-025
(Filed April 22, 2004)

**RESPONSE OF THE NATURAL RESOURCES DEFENSE COUNCIL (NRDC)
TO JOINT PETITION OF
PACIFIC GAS AND ELECTRIC COMPANY, SAN DIEGO GAS & ELECTRIC
COMPANY, AND SOUTHERN CALIFORNIA EDISON COMPANY
FOR MODIFICATION OF DECISION 06-06-063**

July 2, 2007

Audrey Chang
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OF THE STATE OF CALIFORNIA**

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1. Introduction and Summary

In accordance with Rule 16.4 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) respectfully submits this response to the Joint Petition for Modification of Decision (D.) 06-06-063 (Joint Petition), filed on May 31, 2007 by Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company (IOUs). In accordance with Rule 16.4(f), which states that responses to petitions for modification must be filed within 30 days of the date the petition was filed, this response is timely filed. NRDC is a non-profit membership organization with a long-standing interest in minimizing the societal costs of the reliable energy services that Californians demand.

In their Joint Petition, the IOUs request that the Commission issue an order to make two changes to Ordering Paragraph 15 of D.06-06-063. The concerns raised by the IOUs in their Joint Petition were first brought to our attention through a March 16, 2007 letter sent by the IOUs to ALJ Gottstein (Letter) concerning the "Administrative Law Judge's Ruling Addressing Compliance Filings Pursuant to Decision 06-06-063" ("ALJ Ruling") in R.06-04-010, issued by ALJ Gottstein on December 21, 2006, addressing compliance filings pursuant to D.06-06-063 and the treatment of costs in the

Commission's Total Resource Cost (TRC) test for energy efficiency programs. In response to that letter, we sent a reply letter to ALJ Gottstein with copy to the R.06-04-010 service list on April 30, 2007. This response reiterates the points we made in our April 30, 2007 letter.

2. We share the general concerns raised by the IOUs, but suggest that the Commission hold a workshop for parties to discuss the relevant issues and attempt to develop a consensus position before acting to grant or deny the Joint Petition.

We share the concerns raised by the IOUs about the possible adverse impacts of the Commission's approach to including program costs in the (Total Resource Cost) TRC test, as changes in cost-effectiveness calculations will also affect program design and delivery, and not simply the calculation of total resource benefits. Midstream and upstream incentives are important and potentially cost-effective strategies for achieving energy efficiency savings in the IOUs' portfolios. These strategies should not be treated less favorably than direct rebates to customers.

However, TRC calculation issues also require careful consideration. Before the Commission considers granting or denying the IOUs' Joint Petition for Modification, we believe that a closer examination of these issues is warranted, especially as planning for the 2009-2011 cycle is soon commencing. We suggest that the Commission hold a workshop as soon as possible to try to develop a consensus position among the parties. We believe that the Commission and interested parties will benefit from working through examples of the Commission's treatment of costs in the TRC test to be able to fully understand the implications on program design and long-term program strategies to maximize cost-effective energy savings.

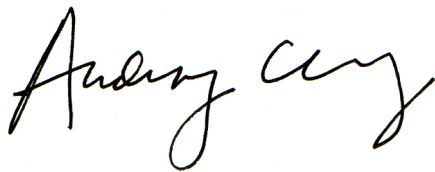
3. Conclusion

In its consideration of whether to grant or deny the Joint Petition, we encourage the Commission to hold a workshop for parties to discuss in more detail the issues at hand and to try to develop a consensus position. We look forward to working with the Commission and other parties to resolve this issue as quickly as possible and to ensure

that energy efficiency will continue to play its full and important role in California's future.

Dated: July 2, 2007

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Audrey Chang". The signature is fluid and cursive, with the first name "Audrey" written in a larger, more prominent script than the last name "Chang".

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of the **“Response of the Natural Resources Defense Council (NRDC) to Joint Petition of Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company for Modification of Decision 06-06-063”** in the matter of **R. 04-04-025** to all known parties of record in this proceeding (R.04-04-025) and R.06-04-010 by delivering a copy via email or by mailing a copy properly addressed with first class postage prepaid.

Executed on July 2, 2007 at San Francisco, California.



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